

Moldova Democracy and Governance Assessment

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Introduction and Background

This Democracy and Governance (DG) assessment identifies the principal problems and challenges confronting the Government of Moldova in its transition from authoritarian rule to independence. The assessment examines Moldova's political environment, historical foundation, and current trajectory. Employing the framework developed by USAID's Office of Democracy and Governance, the analysis identifies key political actors, their interests, and the institutional arenas in which they operate. It also identifies those actors and institutional arenas amenable to further democratic development. The analytic framework is intended to assist USAID develop a programmatic strategy to support Moldova's evolution toward a more democratic political culture.

In the decade and a half since independence, Moldova has made significant progress in establishing state institutions to manage the transition from Communist autocracy. Moldova has emerged as a functioning, sovereign state from one of the poorest and least developed of the Soviet republics. Successive democratically elected governments have laid the foundation for a stable democratic political system. Well-conceived governmental policies have reduced the cleavages of a multi-ethnic society, granting autonomy within the Moldovan state to the Gagauz people, and pursuing inclusionary policies toward the Russian, Ukrainian, Bulgarian and Roma minorities. Recently, Moldova and the European Union have agreed on an action plan for EU accession that should promote Chisinau's move away from the Soviet model and toward European political, economic, and administrative practices.

These accomplishments notwithstanding, Moldova's transition has been difficult and uneven. Its political system and leadership have been severely tested by the Transnistrian secession and the economic decline following the collapse of the Soviet Union and the Russian economic crisis of the late 1990s. Both the leadership and the population were accustomed to Soviet authoritarianism and have had difficulty adopting democratic practices. The legacies of top-down administration and a passive citizenry alienated from politics remain from the Soviet past. The overarching challenge confronting Moldova's path to democracy is reducing the concentration of executive power that restricts political competition and retards the establishment of the rule of law.

Vertical power had been the norm for Soviet as well as post-Soviet Moldovan governments, and strengthening that structure seemed natural for President Voronin after the Communist Party victory in 2001. Voronin's attempts to re-concentrate executive power early in his administration reinforced the traditional relationship of government and citizens (or subjects), and blocked the growth of a participatory democracy based on the rule of law.

Consolidated executive power threatens both the development of the rule of law and political competition. Central actors feel entitled to interfere in the judicial process, to manage or influence the media, to dictate to local and regional authorities, and to play favorites with business interests. One result is a government that is neither transparent nor accountable, thus dampening individuals' willingness to become involved in political life.

As Moldova contemplates reforms necessary for EU entry, the incompatibility between a highly vertical power structure and Western democratic practice will intensify. The EU-Moldova Action Plan requires the future member state to bring its political, economic, and regulatory practices into alignment with those of the European Community. The Plan's emphasis on rule of law, local and regional autonomy, and unfettered political competition presents Moldova and its leaders with a formidable challenge.

President Voronin and his government have taken a major step by turning toward Europe, and have begun to adopt some of the legislation required for European integration. Full implementation of the Action Plan will curb executive prerogatives and require substantial decentralization. Whether President Voronin, who plays the pivotal role in determining the course and pace of reform, and his government will pursue a reform path that impinges on the power and the prerogatives of the political and economic elite remains unclear.

Moldova today is on a trajectory toward Europe – somewhat haltingly, and by no means irreversibly. In spite of his Communist label, President Voronin and his government have been taking modest, but nonetheless meaningful, steps toward European integration, which, if continued, should lead to a more liberal democratic society. But even if the Moldovan government and citizenry are committed to consolidating the democratic transition, a lack of natural, financial, and institutional resources will render the country dependent on outside actors to assist in this process. The active involvement of western democracies politically, economically, and diplomatically is essential to encourage and reinforce Moldova's present trajectory toward Europe.

State building

In analyzing the impediments to democratic consolidation in present-day Moldova, one must remember that Moldova is a new state, engaged simultaneously in the monumental processes of state building and political, economic, and social transition. Lack of institutional capacity must be viewed in this broader context. Establishing effective institutions together with the habits of democratic governance take time. The Soviet legacies of despotic, centralized control of the governmental structure, together with the psychological dependence on the state by the citizenry, inveigh against the creation of a democratic political culture. While no excuse for incompetence or malfeasance, the history of Soviet

authoritarianism in a poor and undeveloped territory makes the development of a modern, democratic state more problematic.

Moldova is handicapped in democratic state-building not only by its economic circumstances and the legacies of Communist rule, but also by the enormous out-migration of some of its most talented and entrepreneurial citizens. A young country facing so many obstacles on the path to free-market democracy can ill afford to have so many of its best and brightest migrate, even if their remittances have helped to support the poor economy.

Beyond institution-building within the framework of a larger democratic political system, Moldova's ethnic and linguistic diversity necessitates trying to forge a state identity that encompasses all of Moldova's groups. Fortunately, adroit leadership has prevented ethnic differences from becoming political cleavages, enabling Moldova to focus its collective energies on political and economic transition. At the same time, state building is taking place in the midst of a secessionist struggle that has left the government in Chisinau without control over a small but significant part of Moldovan territory.

Transnistria

From its beginning as an independent state in 1991, Moldova was divided along the Nistru River, with Chisinau controlling the Right Bank, and the breakaway Transnistrian Republic, dependent upon and leaning toward Russia, located on the Left Bank. This division poses a major challenge to Moldovan statehood and also has important implications for the country's political and economic evolution.

The short war between the Left and Right Banks in 1992 froze the political situation and exacerbated the linguistic and cultural split between the Romanian-speaking and the Russian-speaking populations. While this cleavage has been ameliorated on the Right Bank, thanks to responsible leadership on the part of successive post-independence governments, it has remained an issue of contention between Chisinau and the Transnistrian regime in Tiraspol. Every Moldovan president, with the support of the Western powers and the OSCE, has attempted to negotiate a settlement with Tiraspol and bring the breakaway area back into the Moldovan polity. Left Bank leadership, however, remains adamant in its de facto independence. Tiraspol's position has its roots in the benefits that accrue to its leadership from corruption, most notably from trafficking in goods, people, drugs, and weapons.

The extent to which the status quo limits Moldova's political and economic development is a matter of some debate. On the one hand, the porous border between Transnistria and Ukraine is a major source of corruption and results in substantial lost revenues for state coffers in Chisinau. More importantly, the existence of a territorial dispute jeopardizes Moldova's entry into the European

Union, a step that is indispensable to the country's future as a prosperous, consolidated democracy. On the other hand, the decaying infrastructure in Transnistria and largely Soviet-style system suggests that integration would be very expensive. The government in Chisinau would have to pay for many years of economic decline and neglect under the leadership of Igor Smirnov. German reunification might be seen as a cautionary tale, albeit on a scale dwarfing that of Transnistria.

Transnistrian secession remains the most significant feature of Moldova's post-independence political situation. At the direction of USAID, however, the Assessment Team's analysis of democracy and governance in Moldova concentrates on the Right Bank, the area under Chisinau's control. Transnistria is considered only when it has some discernible (as opposed to speculative) impact on Right Bank political development.

Were the breakaway region to be reincorporated into the Moldovan political structure, the priorities within the larger goal of advancing democratic governance in Moldova would necessarily be reordered. For example, issues surrounding consensus and inclusion would become more salient, with the attending implications for DG programming. The Tiraspol regime's Soviet orientation and its years of anti-Chisinau, anti-Romanian propaganda have sharpened the previously existing historical, ethnic, linguistic, and economic differences between the Left and Right Banks. Reintegration would require Western governments and other donors to dedicate resources to the process of reintegration.

Moldova's turn to the West

President Voronin was elected in 2001 on a platform that emphasized strong central leadership and an Eastward focus, going so far as to entertain the possibility of union with Russia, Ukraine and Belarus. As a Communist with a political background dating to Soviet times, Voronin was well positioned to negotiate a deal with Moscow and Tiraspol to reunite the Left and Right Banks and to remove Russian troops from Transnistria. Moldova expected Russia's help in solving the standoff with Tiraspol, together with concessions on fuel prices similar to those granted to Belarus. When Voronin backed away from the tentative deal with Russian President Putin outlined in the so-called "Kozak Memorandum" (a change of heart that many of the Team's interlocutors attributed to forced the resignation of Georgian president Eduard Shevardnadze), the Moldovan leader embarked on a dramatic strategic shift away from close ties with Moscow in favor of integration with the West.

President Voronin and a small group of advisors engineered Moldova's turn to Europe. Ignoring election pledges to remain close to Russia, to avoid the WTO, and to refrain from military pacts with the West, Voronin quickly took advantage

of EU expansion and the NATO enlargement to sign both the WTO agreement and the Stability Pact. The Communist Party continued its traditional domestic rhetoric aimed at reassuring its core supporters (mostly rural dwellers and pensioners), while pursuing policies that subordinated their interests to newly defined requirements of a modern, capitalist state eager to join the community of Western states. The Voronin-instigated policy reorientation from Russia to the West picked up momentum and in 2005 focused explicitly on joining the European Union. This shift culminated in the signing of the EU/Moldova Action Plan that acknowledges Moldova's European aspirations and provides a "Concept for the Integration of the Republic of Moldova into the EU." The plan provides a framework for Moldova's domestic institutions and foreign policy compatible with the standards for membership.

The reduced Communist majority following the 2005 parliamentary election led to an agreement with the right and center parties to re-elect Voronin. In return for their support, Voronin agreed to ten points that, if implemented, will limit centralized political control and make government more transparent. By the summer of 2005, half of these measures have been adopted in whole or in part, though their full implementation remains uncertain. Parliament is still debating legislation to implement the other points.

Moldova's turn to Europe is not irreversible. Skeptics wonder whether Voronin and his allies are prepared to implement reforms that would significantly circumscribe executive power and encroach on the interests of the ruling elite. At the same time, many astute observers of Moldovan politics argue that Voronin has almost no room to backtrack, having staked his political future on integration with the West. They cite progress on some of the points in the accord with the opposition parties as evidence that the president will implement reforms that threaten core interests of those in power. For the first time in Moldova's brief history, a consensus exists among the major political parties to pursue integration with the West.

Nonetheless, Moldova is effectively trapped between Russia and the West. While Chisinau has cast its lot with the West, the country remains profoundly influenced by Russia. Moldova's half-century as part of the Soviet Union, its large Russian-speaking population, its need for Russian markets for its agricultural goods, its dependence on Russian oil and gas, and its need for at least tacit Russian cooperation in reuniting the Left and Right Banks all make Moscow a central actor in Moldova's evolution.

Ukraine also remains part of the equation. With the Orange Revolution and the coming to power of the Yushchenko Government, a more democratic and European-leaning state is now on Moldova's eastern border. Kyiv's stance toward Transnistria is particularly important. Were Ukraine to police the Transnistrian border more effectively and establish a customs regime, Tiraspol would lose much of its revenue stream (the windfall from smuggling) and -- the

logic goes -- become more amenable to an agreement on reintegration with Chisinau. A settlement on Transnistria is vital not only for political acceptance by the West (i.e., a pre-requisite for EU accession) but also for domestic economic development.

DG Problem Analysis

This section of the paper summarizes the team's analysis of democracy and governance in Moldova for the purpose of identifying the principal challenges underlying future democratic development. This analysis uses a five-dimension framework that examines the key elements of democratic governance: consensus, inclusion, competition, rule of law, and good governance.

The overarching problem facing Moldova in the democracy and governance sphere is the consolidation of executive authority, a trend that accelerated following the election of Communist Party leader Voronin to the presidency in 2001. Failing to secure a super-majority in parliament in the 2005 election, Voronin was forced to make concessions to the opposition in order to be reelected as president. Nonetheless, Voronin maintained his hold on executive power, maintaining the strong executive control which impeded political competition, the development of the rule of law, and good governance. While the government has turned to the West after its falling out with Russia, it continues to hinder competition in areas such as the media, civil society, and business. With limited ability to pressure the government for greater accountability and transparency, the general population feels excluded from the decision-making process. Governmental decentralization is the lynch pin to accelerated democratic development and also provides an opening for donor assistance.

Rule of Law

Rule of law is the area where Moldova fails most notably in meeting democratic criteria. Its judiciary lacks independence and does not provide the checks and balances that are fundamental to a consolidated democracy. The judiciary also suffers from weak institutional capacity and appears to be highly dependent on the executive branch, including succumbing to the practice of "telephone justice." A new law on appointments to the Council of Magistrates is an encouraging sign that the government might be initiating measures to increase judicial independence. Other problems are similar to those found in other NIS countries, including low capacity of judges, low wages, lack of internal controls that permit corruption to flourish, weaknesses in the system of appointing and promoting judges, poor administrative and case management, and failure to enforce judicial decisions.

Public confidence in the judicial system is low, both because of its record and because the public has a low level of awareness of its rights to legal recourse.

Legal professional associations, legal clinics, and other legal services are available, but not accessible to all. The law is often applied selectively, especially in cases that seem to have a political dimension. At the same time, allegations of corruption or malfeasance related to the political elite seem to go unchecked. In general, corruption continues to be widespread throughout society and all levels of government. Citizens often said that the court system was the last place they would go in search of justice.

On the positive side, Moldova provides reasonable guarantees of personal safety and law and order, a sound legislative framework, and respect for human rights. One exception noted involves pre-trial detention and treatment of prisoners. Applications from Moldova to the European Court of Human Rights are among the most numerous of any country; however, the government has complied with most of the ECHR decisions and has vowed to reduce the number of applications by improving the quality of the Moldovan justice system.

Uneven progress in establishing the rule of law is one of the major impediments to democratic consolidation in Moldova. Significant systemic improvements are unlikely because of limited political will on the part of key decision-makers and low institutional capacity. The dominant political elite, including the Voronin Administration, has a vested interest in preventing the emergence of an independent judiciary that would check executive authority and promote greater governmental accountability and transparency. Meanwhile, financial and human resource constraints present another obstacle to building effective institutions, even with generous donor support.

Competition

Competition in politics, economics, and the realm of ideas is one of the core attributes of a democratic system. Moldova today presents a decidedly mixed picture with respect to competition. On the one hand, the polity has many of the attributes of an evolving liberal democratic system in which citizens have the opportunity to elect their leaders and to organize to advance their collective interests. Political parties are free to organize and contest for political power. Independent print media offers a diversity of views. On the other hand, Moldova has impediments to competition. A narrow segment of the population dominates economic and political life, creating an uneven playing field that limits the ability of citizens to impact decisions that affect their lives.

A related gauge of competition is the extent to which people feel free to engage in political activity and otherwise enjoy the full range of civil liberties. Here, too, Moldova has made demonstrable progress since emerging as an independent state. Although some journalists did tell us that self-censorship is common, for the most part Moldavians do not face formal barriers to participating in political life and do not feel constrained in expressing critical views, whether of those in

positions of political power or of general conditions. Citizens, especially young people, may rightly be cynical about politics and see little prospect of influencing national decision-making. But with the collapse of Soviet rule, the fear factor has dissipated as electoral competition has become institutionalized.

Moldova can boast one of the best records of all the former Soviet Republics with respect to free and fair elections. With the exception of the 2003 local elections, successive governments have presided over competitive, contested, professionally administered elections that met widely accepted international standards. Elections have also resulted in different parties with divergent orientations and agendas coming to national office, an exception to the “one-party state” model common in the former USSR and elsewhere around the world.

The contest over formal political power is embedded in larger system that has a fair degree of pluralism and constitutes a reasonably permissive environment for civil society. One indicator of this pluralism is the number of mayors from opposition political parties. President Voronin’s governing Communist Party has engaged in some questionable tactics to pressure these mayors to conform to the party line; nonetheless, these elected heads of municipalities have carved out political space and have demonstrated an ability to improve the quality of life for their residents. Similarly, civil society, as discussed in a different section, has benefited from a generally tolerant environment. The number of NGOs, including democracy and human rights oriented advocacy organizations, has proliferated, injecting another source of competition — the battle of ideas -- into the political system.

For all the progress Moldova has made in the “democracy” sphere since achieving independence, competition remains circumscribed because of concentrated executive power. In spite of his efforts to concentrate power, President Voronin has not eliminated or silenced his political opponents. Indeed, his need to secure support from other parties in parliament to win re-election gave some of these factions tangible leverage over the Communist Party’s legislative agenda. At the same time, the battle of ideas within the Communist Party may be growing more intense following Voronin’s turn to the West and his endorsing certain reforms that in the eyes of orthodox communists betray party traditions. But this intra-elite in-fighting should not be mistaken for broad-based political competition.

In Moldova the contest for power and influence is largely confined to the political class, which is an exceedingly narrow segment of the population. Many citizens are alienated from politics (declining voter turnout being one manifestation) and see competition as an intramural affair that profoundly affects their lives but which they are powerless to influence. Young people, a large percentage of whom have left the country or aspire to do so in order to pursue economic opportunities, are particularly disaffected — a finding consistent with a focus group conducted by the assessment team. Moreover, citizens generally view

political leaders as self-interested, intent on gaining office not out of any commitment to public service but for personal gain.

The combination of widespread corruption and the nexus between political and economic power means that competition in the economic sphere is also stunted. Connections rather than merit and/or entrepreneurial skill can be the most important factor in business success. At the same time, because corruption can dramatically increase the cost of doing business (with all the distorting economic inefficiencies and corrosive political consequences this entails), would-be entrepreneurs are deterred from entering the arena, limiting competition and fortifying the grip on the economy of inefficient, risk-averse producers who prosper based principally on ties to the political establishment.

The limited nature of competition in Moldova's political and economic life is also supported by the absence of an effective system of checks and balances. The judiciary lacks independence and is politicized. Telephone justice is common, which in part explains why citizens have minimal confidence in judicial institutions. At the same time, the parliament is not yet a reliable check on executive power despite the presence of opposition factions.

Independent media, likewise, have not been able to fulfill the role of an effective watchdog on the executive branch, principally because they are confined to the print sphere -- newspapers and other publications. Here readers can find a range of views. However, most Moldavians get their news from television, which is dominated by the governing party. Mr. Voronin and his allies enjoy such hegemony that it is difficult to find much on the airwaves that qualifies as objective or critical reporting about the executive. Pre-election observers have expressed concerns about opposition parties' poor access to broadcast media, without which it is difficult to conclude elections are free and fair even if voting day is problem-free.

Another check on the power of the executive branch is local government and elected officials with their own power bases. Opposition party members do hold office in a number of cities and towns but they are hampered in efforts to become a potent political force by the intrinsic difficulties of organizing into a coherent lobby. The central government is also reluctant to devolve authority (e.g., to grant control over locally-generated revenues) to the municipal level. The central authorities have also maintained control by intimidating independent-minded mayors through tactics such as selective prosecutions and withholding budgetary support.

Inclusion

The paramount question with respect to inclusion is whether segments of the population are excluded, by design or otherwise, from meaningful participation in

political and economic life. After independence, the main challenge of inclusion involved the Russian-speaking minorities. But as mentioned in other sections, almost all post-independence governments have pursued responsible and enlightened policies that granted local autonomy but simultaneously integrated these groups into the larger Moldovan society. As a result the ethnic and linguistic divide between Romanian and Russian speakers evident at the end of Soviet rule has lessened, with members of the different ethnic/linguistic groups generally accommodating each other. Few Romanian-speakers now wish to pursue unification with Romania, greatly reducing the perceived threat initially felt by the non-Romanian minorities. The Gagauz, Bulgarian, Ukrainian, and Roma minorities (most of whom use Russian as their first language) have been granted sufficient cultural space to reduce the salience of ethnicity and language within the political system.

The Assessment Team did not examine whether these groups are disproportionately poor compared with ethnic Romanians or Russians, a possible sign of discrimination and/or marginalization meriting further research. The least advantaged citizens in almost all societies are outside the mainstream of political and economic life. However, the issue under consideration with this assessment is whether identifiable minorities are second-class citizens without the same rights and opportunities enjoyed by the majority. The limited evidence gathered by the team does not support this hypothesis.

The language issue in Moldova is more complicated than in many countries because the majority Romanian-speakers also speak the language of the main minority (Russians) as the result of Soviet rule. Romanian-speakers almost universally are able to converse in, read, and write Russian and frequently do so to accommodate their monolingual compatriots. With the collapse of the Soviet Union ensuring that fewer school children will study Russian and some evidence that the proportion of ethnic Russians and Ukrainians in the Right Bank is declining, the linguistic balance will shift increasingly toward Romanian. This linguistic evolution has the potential to make the issue of inclusion more prominent. If, for example, state employees are required or at least expected to operate effectively in Romanian, Russian-only speakers invariably will perceive discrimination, reopening ethnic and linguistic tensions that have dissipated considerably over the past fifteen years. Of course, more Russian-speaking families might opt to have their children study in Romanian, which could ease problems over the longer term.

As noted above, not all parts of the Moldovan population participate equally in the civic culture and some thus feel excluded. Rural populations participate less than urban, poor less than wealthy, female less than male, old less than young. Moldova is far from unique in this regard; these disparities are found in most developing countries.

Voter turnout, though a crude measure of civic engagement, has remained high for national elections. In contrast, participation has been declining in local elections, most notably the recent mayoral elections in Chisinau, which generated little public interest. The older generations vote at a much higher rate than the younger generations, but have lower expectations of citizenship. Young people, with more formal education and more exposure to the West, have higher expectations and are more disillusioned with politics and political leaders, according to experts with whom the Assessment Team met. In many cases they are voting with their feet by pursuing opportunities abroad, rather than by relying on what they regard as self-serving politicians.

Low civic involvement and widespread alienation from politics does not necessarily mean that young people or others are deliberately or even inadvertently excluded from participating in political and economic life. But such troubling trends merit further study to see whether the disaffection is more concentrated in some groups and linked to a shared perception of exclusion.

Consensus

The fundamental issue concerning consensus revolves around the existence of a basic agreement on the boundaries of the state, the political game in which actors are engaged, and on the set of rules that structure competition in the system. Here again the status of Transnistria looms large. The existence of a secessionist region underscores the lack of consensus on Moldova's national borders. But in focusing on the Right Bank, a consensus can be found among all the principal actors that cuts across any ethnic or linguistic groups.

With respect to the so-called "rules of the game," a robust consensus that political parties vie for popular support in regular, freely contested elections for the right to govern within the framework of the constitution is present. Successive peaceful transfers of power from one political party to another are a good indication that all groups agree on the principles and mechanics of electoral competition as the legitimate means to determine who governs. Relatively high voter turnout is a weaker but still useful measure of system consensus. That the contest for policy influence is waged by political parties, NGOs and individuals within an agreed upon framework of pluralist competition also attests to the existence of a society-wide consensus. This accord is not to suggest any uniformity of views, only that all sides concur on conducting the competition in accordance with a common set of rules. This agreement applies to political parties across the ideological spectrum, whose leaders have not sought to mobilize the citizenry to challenge the prevailing order.

One area where conflict over the rules of the game has emerged involves the scope of executive power, a major theme throughout this analysis. Critics of the Voronin Administration see increased central power as a violation of the principle of separation of powers and the system of checks and balances. Yet the effort to

strengthen the presidency has not undercut the consensus on how politics should be played. No one is suggesting eliminating elections, banning political parties, or cracking down in a systematic way on NGOs.

Taking a broader view of consensus, a growing convergence in thinking can be found about what type of society Moldova aspires to be. With the Communist Party leadership's purposeful turn to the West, virtually all the major parties support integration into trans-Atlantic institutions and the accompanying vision of Moldova as a liberal, democratic polity. This encouraging political evolution points up just how much the Assessment Team's analysis would change if Transnistria were part of the mix. Certainly the leadership of the breakaway region gives little indication that it shares the prevailing view on the Right Bank about Moldova's future. Moreover, the Smirnov regime in Transnistria has spent a dozen years propagandizing against the Romanian-speaking majority and vilifying the Chisinau government. Reintegration of Transnistria would test the consensus that has been achieved on the Right Bank, and would force reconsideration of issues already resolved for most of the population.

Good Governance

As elaborated in the DG Assessment framework, good governance is a dependent rather than an independent variable, which is to say that it is the result of inclusion, fair competition, rule of law, and consensus. In addition, the quality of governance is a judgment rendered by the citizenry with respect to the effective delivery of public goods (public safety, law and order, health and education, basic infrastructure, social services, and policies for economic growth) as well as level of corruption and other factors.

Given the consolidation of executive power that impedes rule of law and political competition, conclusions about governance in Moldova suffer as a result. The main elements of good governance -- effectiveness, transparency, and accountability of political and governmental institutions -- are lacking. The lack of transparency and accountability allow the president to govern in a vertical manner that impedes the prospect of democratic consolidation.

A shortage of capacity can be blamed for some of the ineffectiveness of public administration, but the larger problem from the standpoint of strengthening the country's young democratic system is the low level of transparency and accountability. The ruling elite, naturally, prefers a free hand in devising and implementing policies that advance its own (admittedly less than monolithic) interests.

The lack of transparency and accountability ultimately reduces the ability of the state to govern effectively because it creates permissive conditions for corruption. In Moldova, patronage rather than merit have been the basis of governmental hiring, leading to less technically competent people staffing

ministries and less competition in the political and economic spheres. Policies often favor the already well-connected instead of helping to erect a legal and regulatory environment conducive to broad-based economic development. Recent efforts to reduce governmental staff and hire and promote the technically competent might alleviate some of this criticism. The reforms required for EU accession are a powerful incentive for Moldova to pursue a more open and transparent and democratic direction.

Decision-makers have not demonstrated the will to improve the situation, whether through an independent judiciary able to order redress of violations of law or through a parliament that provides a check on executive power. Opposition political parties are not strong enough to hold the government accountable. Parties are mostly personality driven, serving the political ends of their leaders, rather than being issue driven and committed to good government.

Lack of oversight is evident also in a government-dominated broadcast media and a comparatively weak civil society. Some skilled journalists understand the watchdog role that the media plays in a democratic society. However, they face serious impediments in carrying it out. For instance, legislation does not adequately define defamation, thus allowing political figures to use the courts to silence critics. Also, investigative journalism, with its emphasis on exposing corruption, is underdeveloped because reporters fear retribution. As a result, they often find themselves engaging in a degree of self-censorship.

The absence of a robust civil society deprives the political system of another mechanism to hold the government accountable for its actions. For the most part, citizens feel powerless to influence governmental decision-making. Officials also have not internalized the concept of “public servant,” seeing themselves as responsible to the people rather than to the department or politician. The government sometimes sets up parallel, dependent organizations meant to undercut civil society groups that have the potential to challenge the power structure (e.g., establishing competing associations of Mayors or Farmers). Were NGO leaders more conscious of running their groups with greater transparency and accountability, they might have greater credibility and garner broader support from the citizenry. This step, in turn, would enable the groups to advocate more effectively and bring pressure to bear on governmental decision-makers.

The reluctance of the Voronin Administration to devolve authority to the local level also inhibits effective governance. The extent of decentralization varies considerably across the spectrum of successful democracies. There is no perfect model. The extreme centralization of the Soviet period and post-2001 efforts by Voronin’s Communist Party to reassert the center’s domination of the periphery reduces another would-be check on executive power. It also reduces both the level and quality of public services, especially when municipalities have greater control over locally generated revenues. Local governments often are better able

to promote accountability and transparency in carrying out their administrative responsibilities than are the central authorities.

As discussed in several sections of this report, the demand for effective governance is not strong because of a combination of citizens' low confidence in public institutions and a widespread sense of powerlessness (another of the legacies of Soviet rule) to change prevailing conditions. Citizens are quite cynical about government. They question the integrity of those in office, seeing them as dispensing patronage and exploiting their positions for personal gain. At the same time, they see physical infrastructure and social services deteriorating due to a combination of corruption, poor stewardship, malfeasance, and low capacity.

Public passivity in Moldova is not pre-ordained. Allies for bringing about better governance do exist and include civil society, the small business community, parts of the agricultural sector, and local mayors. Many Moldovans who have lived abroad, as well as the western powers and donors, also are on the side of effective governance. The parliamentary opposition may be selectively supportive, depending on how much they are concerned about the best interests of Moldova rather than themselves. Elements within the bureaucracy itself are also pro-reform. A reformist coalition could overcome those with a vested interest in perpetuating the status quo (i.e., those who benefit from patronage and corruption). The key is mobilizing these constituencies into an effective force for reform.

In one important dimension of governance the Voronin Administration has done an outstanding job. In a move that distinguished it from its predecessors, the governing Communist Party eliminated pension and salary arrears, raised wages, improved public safety and eliminated the most obvious elements of organized crime. Perhaps more surprisingly, the government of President Voronin has put policies in place to foster economic growth and maintain macro-economic stabilization. At the same time, a cohort of competent young technocrats has been appointed to senior posts in a number of ministries, though whether they will have the requisite resources or the backing of the president to implement the necessary changes remains unclear. Whether recent deep reductions in staff at many ministries will make those institutions work better by getting rid of unqualified beneficiaries of past patronage or will further diminish the performance of these same agencies is yet to be seen.

Performance is uneven in investing in infrastructure, provision of health care and education, and municipal services. Overall, the Moldovan state and the Voronin government have been weak on the political dimensions of governance -- promoting accountability and transparency.

Political Actors

This section reviews some of the principal political actors in Moldova -- describing who they are, their interests, and their status regarding democratic development -- for the purpose of identifying potential supporters and opponents of political change. Since the decisions of political actors are heavily influenced by circumstances in which they find themselves, the section begins by identifying existing external and internal pressures favoring positive political change.

Structural and Political Pressures for Reform

Whether “geography is destiny” as Napoleon suggested, Moldova’s location and modest size ensure that the country’s fate is inextricably linked with developments in the region and beyond. Perched between an expanding European Union and Ukraine -- and as the object of interest in Moscow and Washington -- Moldova faces a number of systemic and political constraints that inhibit its freedom of action. The Moldovan people and their government control much of their own fate, but are constrained by larger political and economic decisions made in capitals beyond Chisinau.

The extent to which factors such as Moldova’s need to export for the international market constrains national decision-makers is at the center of the debate about the origins and durability of the Voronin government’s reorientation away from Russia and toward the West. Understanding the reasons for this wholesale change in policy is important because different underlying causes lead to different sets of policy prescriptions. If the stated intention to integrate with the West is based solely on Chisinau’s calculation 1) that Moscow will not countenance an acceptable compromise on Transnistria or 2) that Moldova’s prospective economic health depends almost exclusively on access to Western markets for agricultural produce, U.S. and EU decision-makers will wonder whether Voronin and his CP colleagues are genuinely committed to the shared values of democratic nations. In this scenario the leader’s change in policy could be attributed to structural imperatives rather than liberal democratic aspirations. But if Western decision-makers view the Voronin-led recasting of Moldova’s foreign policy as an expression of a deeper conceptional shift, then technical assistance and development aid are more likely to increase.

Dismissing the reorientation in policy as little more than an inevitable concession to the imperatives of economic well-being would be easy, but incorrect. However much Moldova’s economic prospects would be improved by access to Western markets (i.e., membership in the EU) and by an accord on Transnistria, the decision by Voronin and some close advisors to turn to the West was by no means inevitable.

This team is not suggesting that Mr. Voronin has become a liberal democrat completely recognizable in Western terms, nor minimizing the constraints and incentives pushing Moldova toward the West. Plenty of well-placed and knowledgeable observers are understandably skeptical of any wholesale

transformation in Voronin's outlook. And the pull of the EU in terms of improving Moldova's long-term economic prospects is undeniable,

Yet the CP-dominated government might have decided on a different path, including the status quo. That some key Voronin advisors are reliably reported to have opposed the shift from Moscow to Brussels and Washington is evidence that an alternative existed and that other political leaderships could have drawn different conclusions about Moldova's national interests and the best way to advance them. If Moldova does not find its way into the EU and/or if the Russian Government becomes more cooperative with respect to a settlement on Transnistria, the country's domestic political context could change substantially -- with major implications for foreign policy.

Moldova's difficult economic circumstances are also cited as a reason why the present government had little alternative but to throw in its lot with the West. One cannot dispute the country's precarious economic condition. The large exodus of young, disproportionately Western-oriented men and women acted as something of a safety valve, releasing some of the pressure on the leadership to implement reforms. The migrants' remittances sent to family and friends in Moldova have compensated for a fraying social safety net and eased what would otherwise be a desperate social situation.

The bottom line remains that even as a sovereign country (leaving aside the troubling reality of the breakaway Left Bank) able to determine its future course, Moldova is subject to forces ranging from the global economy to the interests of powerful regional actors that shape and limit its freedom of action. One would be mistaken to say that the present government of Vladimir Voronin has little or no choice but to seek integration with Western economic, political and security institutions. Similarly, one would be incorrect to downplay the powerful incentives driving Chisinau Westward. Membership in the EU is seen by the large majority of the political class, including opposition parties, as absolutely critical to Moldova's future economic viability. Moscow's inflexibility over Transnistria does create added incentive to look to the West for support.

Because Moldova is a poor, developing country, the international donor community exercises disproportionate influence over its political and economic evolution. This influence pertains to bilateral and multi-lateral donors as well as to the international financial institutions. Moreover, because Moldovan territory is the source or transit point for trafficking in persons, drugs, and weapons, the country will remain an object of Western concern and interest regardless of progress in other areas.

Political Leaders and Parties

Political parties are an integral part of the democratic landscape in Moldova. Moldavians are free to organize political parties, which are indispensable vehicles for aggregating interests for the purpose of competing for political power. That Moldova has had a series of elections, almost all of which passed muster with international and domestic monitors, and has seen different parties capture the presidency and gain strong representation in parliament, testifies to political parties' role in the system's vibrancy and pluralism since Moldova became an independent state.

Some of Moldova's main political parties resemble those in more established democracies in that they have a capable organization, identifiable constituency, and articulated program designed to energize and broaden their base in order to bring about change in national level policy. For reasons both historical and contemporary, the Communist Party under the leadership of Vladimir Voronin has been a highly effective operation, with the type of organizational infrastructure, resources, staunchly loyal base, mobilization capacity, and media presence to prosper politically. Among the opposition parties, the Christian Democrats led by Iurie Rosca stand out. The party has an identifiable constituency with common interests and has skillfully used its presence in parliament to influence the ruling party's substantive agenda. In return for giving Voronin the votes he needed to become president, Rosca prevailed upon the Communist Party chief to accept a number of policy reforms, some of which have begun to be implemented.

These and other encouraging developments notwithstanding, few knowledgeable observers would contend that Moldova's political party system is robust or a dependable bulwark of democratic governance. Recognizing that Moldova is in the midst of a long-term state-building enterprise, one can nonetheless point to weaknesses, some of which are the object of USAID-funded programs. These deficiencies are closely tied to some of the country's most pressing democracy challenges, including limited political competition and concentration of power in the executive.

Moldova's political parties are plagued by many of the same shortcomings common across the former Communist space. Parties tend to be personality-driven factions devoid of ideological coherence and concrete program ideas, elite-dominated with poor constituent identification and mobilization potential, capital-centric with little presence in the countryside, with minimal infrastructure between elections. They have limited capacity to reach to supporters, target selected audiences, conduct surveys, and craft tailored measures that will resonate with voters. In addition, opposition lawmakers are largely unskilled in the legislative arena, depriving the citizenry of an alternative voice in the battle of policy-relevant ideas and an effective counter-weight to an executive branch intent on maintaining its hegemonic position within the constitutionally prescribed system of government.

The fecklessness of many parties is not the only reason the citizenry sees them as part of the problem rather than a solution to the challenges of democratic governance. The close nexus of political and economic power, coupled with a high degree of corruption, further erodes citizens' confidence in the political party system. These linkages also help to explain the dominant view of politics as an unfortunate zero-sum game, since controlling the levers of power invariably provides access to state resources as well as to society's most important economic actors.

The inability of most parties, with the exception of the Communists and Christian Democrats, to engage the citizenry, to solicit and mobilize support, and to create an effective organization helps account for the low level of civic involvement and widespread alienation from the political process. Citizens do not see parties as representing their interests. Instead, they view the leaders as self-serving power seekers engaged in intra-elite games without any commitment to public service and the needs of a long-suffering population. The opportunistic nature of political party leaders was underscored when the nominally united opposition moved to court Moscow once Voronin had fallen out with the Kremlin over Transnistria and when the democratic bloc fractured in response to Voronin's bid for support among lawmakers to secure the necessary votes to become president.

Serafim Urechean, Dimitru Braghis, Dumitru Diacov, Iurie Rosca, Vladimir Voronin and other political party leaders all have their hardcore followers, but only a few of these men have shown the potential to connect with voters beyond their natural constituency. It is no coincidence that Speaker of Parliament Marian Lupu, who was brought in by Voronin but is not affiliated with any political party, is generally viewed as one of the country's most competent and trusted public servants.

Interestingly, the Communist Party, which continues to be the best organized party on a national basis and boasts the most ardent supporters (solidified by the government's politically adroit strategy of paying pension arrears), has recently embarked on a course that is opposed to the fundamental interests of its popular base. This shift has led to speculation about a possible split in the party, with Voronin seen as casting his lot with reformers inside the CP and appealing to like-minded members of other parties to join him in forming a broad-based social democratic movement.

For the most part, the opposition parties do not function as an effective political force in parliament. They are fractured and undisciplined. As a result, they provide little check on executive authority, a situation exacerbated by the shortcomings of the parliament itself, with a tiny professional staff and minimal research and legislative-drafting capability. In short, a parliament already disadvantaged by a constitution providing for a strong executive cannot exercise meaningful oversight over the executive branch.

Opposition parties also face another obstacle in becoming a potent force in the country's political life. The dearth of independent media in the broadcast sphere allows the ruling party to dominate the airwaves, thereby denying other political leaders a platform from which to disseminate their ideas and engage the body politic in discussion about the future direction of the country.

Lastly, the local dimension of the political party enterprise should not be overlooked, as it both reflects the system's principal problems and holds out some hope of addressing them. To the chagrin of the Communist Party leadership, mayoral candidates from opposition parties and others running as independents have won election in every region of the country. The response of the Voronin government has been disappointing from the democracy-building standpoint, but perhaps predictable given his Communist pedigree: use the formal and informal powers of the State to bring opposition or maverick office holders into conformity with Chisinau. At times this pressure has taken the form of heavy-handed and possibly illegal efforts to compel allegiance to the center. At the same time, Voronin and his advisors sought to recentralize political control, in part by making the reinvigorated raion-level government a source of patronage dependent on the executive. However, some mayors have been able to maintain their independence by establishing local bases of power that allow them to govern their respective municipalities effectively while also reinvigorating Moldova's political party system from the bottom up.

Civil Society Organizations

According to figures of the Ministry of Justice, 2,758 NGOs were registered in Moldova at the end of 2001, nearly double the level in 1992. The biggest jump came from 1997 to 1998 after the passage of the Law on Public Associations.

The number of active organizations is far fewer than the universe of registered groups, according to the Contact NGO Center. In the sphere of democracy and human rights, the number of effective groups is quite small. Twice as many registered NGOs are national as opposed to local in scope, with the overwhelming majority based in Chisinau. Proportionately few NGOs are found in small towns and rural areas, where almost half of the country's population lives.

Wherever they are located, most organizations claim their mission is to solve community problems. Others seek to advance the interests of particular groups of citizens. About 10% of the NGOs state in their charter that their aim is to obtain financial support, and a much smaller percentage were created to earn extra income for their members. About one-quarter of registered NGOs have missions that include some form of education and outreach. Approximately 11% work on health issues, 10% deal with art, research or culture, and another 10% with sport, 6% are in social service, 5% in ecology and 3% in media. The rest

are distributed among various categories, including ethnic minorities, philanthropy, and religion.

As is the norm across a region with little recent history of philanthropy, local resources are limited for NGOs. Foreign donors provide the largest share of financial support for Moldovan NGOs, especially for advocacy groups in the democracy and governance area. Those organizations located in Chisinau have higher organizational capacity than their rural and small-town counterparts. They also enjoy closer access to donors, although the donors have made a concerted effort to fund groups working at the local level. Chisinau-based NGOs are more likely to benefit from training and other capacity building activities. Even groups in large secondary cities such as Balti lag those in Chisinau in garnering financial and political support.

With generous support from the international community, Moldova's civil society has made substantial progress in a decade and a half since independence. Overall capacity and sophistication, while still unevenly distributed within the sector, has increased appreciably over time. Taking advantage of a reasonably hospitable environment, NGOs -- both advocacy groups and service organizations -- have begun to impact the lives of fellow citizens and to influence the direction of governmental policy. The groups have also shown more of an inclination to work cooperatively. Coalition 2005 for Free and Fair Elections, consisting of about 200 NGOs, proved to be very effective in monitoring the 2005 elections.

Other relatively strong organizations can be found among trade interest groups and professional associations, such as journalism organizations for both broadcast and print media. NGO resource centers as well as the previously mentioned think tanks are also active. Others serve disadvantaged and handicapped populations, and youth groups.

An agricultural country such as Moldova has a number of agricultural associations. The National Association of Farmers has over 60,000 members. It has gotten support from the EU and TACIS. Its reliance on donor funding and may threaten future sustainability. The Cartel St. George, led by Rosca's party, is influential in agricultural policy, but has recently become a more conventional political organization. The Union of Agricultural Producers Associations, founded in 2002, now has 15 affiliated regional associations. The large producers are well organized and try to avoid electoral politics. The Coalition for Economic Development unites NGOs and provides services for its members. It has been invited to parliamentary debates on business and is a strong supporter of the new "guillotine law" in which ministries will be compelled to justify laws and regulations affecting the business sector.

There are two Associations of Local Officials, one dominated by the Communist Party and the other led by the opposition; neither seems to understand that a

unified organization will have more influence. The situation is the same for the trade unions and the small business community. The latter could be an effective voice for reform, particularly in the areas of rule of law and anti-corruption, but has yet to coalesce as a coherent political actor.

Lest we paint too rosy a picture by listing a large number of NGOs and associations, Moldova's civil society remains weak and faces impediments to becoming a force in the country's political life. From the centralization of political power and the limited history of civic engagement to the poor understanding of the role of civil society and no history of philanthropic giving, civil society must wage an uphill struggle to acquire sufficient clout to influence national decision-makers.

Compounding the challenge is the attitude within the government that NGOs are a threat or a nuisance rather than an invaluable partner in political and economic development. But thinking may be changing in the corridors of power. Reform-minded individuals in the executive branch are beginning to realize that civil society can play a constructive role. Some Chisinau-based think tanks provide the government with much needed expert policy advice. Minister of Reintegration Vasile Sova's Civic Forum initiative includes Moldovan and Transnistrian NGOs. Organizations such as Viitorul and IPP work on the EU Action Plan and are active in NGO-governmental consultations mandated by the World Bank in connection with national poverty reduction strategies.

The Voronin Government has become more engaged with a more robust and active civil society, going beyond its obvious desire to remain in the good graces of international donors to take advantage of the expertise that can be provided by NGOs. Slowly, the relationship between NGOs and the central government is becoming less adversarial even as some groups press the government to undertake second-generation political and economic reforms and deepen its respect for human rights.

The Third Sector holds promise for becoming a stronger voice for reform, bringing pressure on political leaders from both the grassroots and well-positioned Chisinau-based groups. As the general population increases its civic education and support grows for local media and civil society organizations, collective action to influence national decision-makers will correspondingly increase.

Media

Despite significant constraints placed on the media by the government, non-state media has played an important role in Moldova's democratic transition. Various non-state media outlets, such as Antenna-C, Euro TV and several pro-opposition newspapers have played important roles by providing citizens with alternative points of view, wider coverage of election campaigns, and reporting that has

acted as a check, albeit limited, on the abuse of state power. The transformation of state- owned media to public television and private newspapers has begun, but their pro-government biases remain. Although the trend in media freedom in Moldova has been negative over the past six years, (it has gone from Partly Free to Not Free in the annual Freedom House Press Freedom survey), the media sphere is important to Moldova's democratic governance, and is likely to become more salient as the formerly state media outlets take on more of a public character. Now that the elections are over, the government's embrace of European norms provides an opportunity for donors to push for improved media freedoms. The information sphere also benefits from the reception of TV broadcasts from Romanian and Russian channels, with the latter producing a Moldova-specific news programs. Local television and radio stations, dozens of non-state newspapers, and Moldovan news websites are important sources of information whose significance is will increase.

Local Government

Despite the efforts by the Voronin government to re-centralize political authority, a number of mayors in secondary cities and smaller towns have demonstrated independence in seeking to improve the quality of life for citizens. This independence is particularly important in rural areas, where residents do not have access to the services and employment opportunities in the capital and the other major urban areas.

The Assessment Team met with several impressive mayors who, through a combination of ingenuity and determination, succeeded both in improving municipal services and bringing greater openness, integrity and accountability to the governing process. Most of these officials had abandoned the paternalistic ways of the Soviet past and sought to involve residents in decisions that directly affected their lives. In many instances these municipalities were the recipients of funds from the U.S. and other donors eager to support reform-minded mayors whose approach both bolstered democracy and improved everyday conditions.

Nonetheless, the power balance still favors the central government. The national leadership has access to resources to ensure its hegemonic position with respect to mayors and other local actors. The playing field remains uneven because independent and opposition party mayors have yet to unite as an effective counter-weight to a national government reluctant to devolve authority. But change could be afoot. Some evidence suggests that these men and women are beginning to think of themselves as a group and recognize the potential of coalescing around issues of common concern. Their inchoate agenda is sure to revolve around decentralizing power and ensuring a level of resources commensurate with responsibilities borne by municipal governments.

Given the Voronin government's proclivity for political hardball to ensure the allegiance of local elected officials, progressive mayors must create a more

effective organization for aggregating and representing their interests both in terms of enacting needed legislation (e.g., fiscal federalism) and resisting pressure from Chisinau to conform to the party line. A well functioning reform mayors' association could also serve as a transmission belt for disseminating best practices, a process aided by the country's modest size.

Another factor supporting a more equitable division of power between national and local levels of government is the EU accession action plan, which explicitly calls for devolving more authority to municipalities. Similarly, donor programs that both encourage national decision-makers to relax their grip with respect to the local level and that provide incentives to localities to adopt strategies to strengthen democratic governance should help bring greater balance between the center and periphery. Reform-minded advisors around President Voronin might become increasingly comfortable with decentralization, particularly if the national government gets credit from citizens for improved services at the local level and from the international donors for taking steps to devolve power to the regions.

Ethnic Minorities

Moldova's modern multi-ethnic character has its roots in shifting borders that made Moldova part of the Russian empire, then Romania before being incorporated into the USSR. Soviet industrialization also drew Russian- and Ukrainian-speaking workers to newly built factories. Moldova's mixed population lives with the legacy of both Russian/Soviet and Romanian rule. The area between the Prut and the Nistru Rivers, historically known as Bessarabia, was a pawn between the Russian and Ottoman Empires. After its victory over the Ottomans in 1812, the Russian Empire ruled this territory until 1917, when Bessarabia was incorporated into Romania. Bessarabia then came under Soviet control with the Molotov-Ribbentrop Pact of 1939. After the Nazi invasion in 1941, Moldova again became part of Romania until the Soviets regained control in 1944 and established the Moldavian Soviet Socialist Republic.

Transnistria, the strip of land on the eastern bank of the Nistru (known as the Left Bank in relation to the river's flow toward the Black Sea), was historically part of Ukraine until it was transferred to the Moldavian SSR in 1940. Unlike the rest of today's Moldova, Transnistria was never under Romanian rule. Although even today it has a Romanian-speaking majority, Transnistria is dominated by the Russians and Ukrainians who comprise most of the urban population. The Russian population consists primarily of post-war migrants drawn by all-union military enterprises and Red Army facilities that supported the Russian Fourteenth Army.

The Romanian/Russian ethnic/linguistic split remains an important feature of political orientation, and helps explain the inclination of parts of the population to look toward the East -- Russia and Ukraine -- and others, who have more in

common linguistically and culturally with Romania, to look toward the West. In 1989, almost two-thirds of the population was Moldovan, 14% Ukrainian, 13% Russian, with the remainder made up of Gagauz, Bulgarians, and others. The non-Russian minority populations generally speak Russian as their first language. According to unofficial reports from the recent census, the ethnic Russian and Ukrainian population on the Right Bank has decreased, thus potentially reducing its political impact.

The Chisinau government has pursued accommodative policies toward minorities and their languages since independence. Recognizing Russian as an official language and providing a mechanism for Gagauz autonomy were important steps in granting minorities linguistic and cultural space. These steps were also aimed at Transnistria in an effort to show that Chisinau would not attempt to “Romanianize” the population of this secessionist region were it to rejoin the Moldovan state. The upshot is that ethnic and linguistic cleavages are much less salient today than in the past. Most Romanian speakers also are conversant in Russian, and do not appear to be resentful of accommodating fellow citizens who are not bilingual. With ethnic-linguistic division a source of inter-communal conflict in many societies around the world, including elsewhere in the former Soviet Union, it is no small accomplishment that these differences do not dominate politics in contemporary Moldova.

The achievement is all the more noteworthy because in the immediate aftermath of independence, the ethnic/language divide was the most important demographic influence on Moldovan politics. More important today is the large migration, both legal and illegal, of working-age cohorts to the East and West in the search for employment. Exact numbers are uncertain, but over half a million Moldavians, most between 20 and 40 years of age, are currently working beyond the country’s borders. Those working in Ukraine and Russia are thought to be temporary migrants, having gone abroad to find jobs and ultimately planning to return to Moldova. Those in the West, particularly in Romania, Italy, Spain, and Portugal, are more likely permanent migrants, both because of the higher standards of living in those countries and the ease of adapting to cultures similar to Moldova’s.

International Donors

Despite its modest size, limited natural resources, and generally low geo-political profile (with the exception of the ongoing conflict over Transnistria), Moldova has succeeded in attracting considerable interest from the donor community since achieving independence. The comparatively rapid pace of reform in the years following the collapse of the Soviet Union accounts for much of this attention, while Moldova’s location wedged between the expanding EU and the core states of the former Soviet Union is also a factor. On a more sober note, residual deficiencies regarding respect for human rights, the standoff over Transnistria and related problems in the area of international trafficking (persons, drugs.

weapons) are other reasons why Moldova has been the recipient of policy attention and programmatic assistance from a range of donor countries and institutions.

The United States remains the single largest donor, particularly with respect to programming in the democracy and governance sphere, but a number of Western European countries and the European Union as a whole also have a substantial presence in the country. The Swedish International Development Agency (SIDA) is emerging as a major donor, while the United Nations Development Program (UNDP), the Open Society Institute/Soros Foundation, and other governmental and non-governmental actors also support programs to advance Moldova's democratic evolution and economic development. The World Bank and European Bank for Reconstruction and Development, although not explicitly pushing political reform agendas, are influential promoters of good governance, one of the building blocks of a durable democratic system and a sound market-based economy.

The Organization for Security and Cooperation in Europe (OSCE) and the Council of Europe also are among the relevant international actors seeking to influence Moldova's evolution, particularly with respect to resolution of Transnistria conflict and establishment of the rule of law and respect for human rights.

The U.S. remains the paramount actor in the democracy and governance sphere. From support of civil society to strengthening political parties and decentralizing political power and responsibilities, the U.S. funds programs across the full spectrum of democracy sub-sectors. In contrast, while the Western European countries and the EU together with other donors provide significant levels of aid, the bulk of the assistance is focused on economic and social development, where the needs are also acute.

Whether Moldova finds its way into the EU is a matter of some debate -- skeptics point to expected opposition from present members reluctant to admit another poor country with an agriculturally based economy -- but declining U.S. resources in the region and geographic proximity point to Europe as a more likely source of future assistance. The prospects for both more aid and trade/investment have improved with the Voronin government's determined tilt toward the West, although Western European public and private sector decision-makers will want to see tangible evidence of political and economic reform before committing to increased levels of resources.

Generous levels of development aid pale in comparison to the financial incentives (e.g., increased trade and investment) the West could offer Moldova in return for deepening and accelerating the reform process. Indeed, the logic of the EU Action Plan, on which the political class has largely agreed, is precisely to use the prospect of membership to speed reform, including steps to consolidate

democratic governance. As has been the case elsewhere in Central/Eastern Europe, the accession process (and even the run-up to formal negotiations) has strengthened the hands of reformers and hastened implementation of politically difficult structural and other changes.

Russia has been de facto a major donor in Moldova, albeit primarily in the form of subsidized oil and gas. Prior to Voronin's turn away from Moscow, Moldovans benefited from below-market energy rates. These concessionary prices spared the citizenry still more economic hardship during the difficult transition. One could also point to Moscow's financial support for the ethnic Russian regime in Transnistria as a form of donor assistance, notwithstanding the monetary rewards from illegal activity that found their way back to Russia.

The point of examining the activities and programs of other donors is, at a minimum, to avoid duplication and, more ambitiously, to improve donor coordination and collaboration. In Moldova, a number of official and informal settings exist where the donor governments and institutions regularly come together to discuss issues of mutual interest with respect to consolidating Moldova's political and economic transition. Still, instances of full-fledged coordination involving a planned division of labor or jointly conceived and funded projects are few. The Team is not in a position to judge how donor coordination in Moldova compares to other counties. In the likely event that US funding for Moldova declines in the coming years, the EU and the countries of Western Europe will cast a bigger shadow over this would-be member. As new opportunities emerge as a result of Chisinau's embrace of the West, closer coordination between Washington and other assistance providers becomes increasingly necessary. The incentive for increased coordination is particularly strong because the US presumably would want these countries to increase support of democracy and governance programs if it reduces programming in this area.

Key Institutional Arenas

Actors and interests come together in various arenas. These institutions provide the venues in which the contest for power and influence are played out. The focus here is on spheres dealing with the constitution, legal and judicial matters, and governance writ large. Institutions are by no means immutable; they evolve in response to changes in the body politic, including the realm of ideas. Giving excessive analytical attention to formal institutions often results because key political dynamics are beneath the surface or play out away from traditional fora such as the courts or parliament.

Constitutional, legal and judicial sphere

Moldova adopted its constitution in 1994, firmly establishing a democratic state and respect for human rights. The constitution addressed some politically sensitive issues, such as state language and special status for Transnistria and Gagauzia, yet left many provisions heavily dependent on subsequent legislation for clarity. A key amendment to the constitution in 1999 attempted to resolve disputes over the proper roles of the president and prime minister by declaring Moldova a parliamentary republic and drastically reducing, at least on paper, the powers of the president. At least one amendment, in 2002 concerning freedom of association, has arguably restricted rather than clarified the charter's guarantees of human rights.

The political opposition included constitutional reform among its conditions for supporting Voronin's presidency earlier this year, and Moldova's new commitments to European integration may not be completely in line with the country's fundamental law. For all of these reasons, as well as the possibility of integrating Transnistria into a new federal arrangement, the likelihood of constitutional reform in the coming years is high. Fortunately, though, Moldova does not need to start from scratch, and the Council of Europe and EU standards should provide a clear roadmap for constitutional reform.

Similarly, the Moldovan Government's EU Action Plan and other commitments to the Council of Europe offer a tremendous opportunity for guiding the necessary legislative reforms. Much of the legislative framework was adopted in the framework of European norms, and provides a decent foundation for protection of rights and freedoms should the judiciary become a more reliable means for advancing the rule of law. The Constitutional Court, whose independence has been questioned of late, may play an important role in the success or failure of both constitutional and legislative reforms.

The judiciary faces a long list of problems, from external pressure to weak capacity internally. The judicial branch is underfunded, judges are poorly paid and under qualified, court conditions and case management are shoddy, and conditions in general are not conducive to efficient administration of justice. In addition, judges and judicial administrators are unable to exert their independence due to economic dependence on the executive, pervasive means for influencing judges through rewards and punishments, telephone justice, threats and coercion from outside sources, and inability to match resources with well funded and connected prosecutors and advocates. Citizens lack confidence in the impartiality of the courts and are reluctant to rely on the justice system. Although the courts can be used to serve justice, they are more often seen as being used to serve political ends or to validate the interests of whichever party is better connected or the one that pays the bigger bribe.

Governance arenas

Parliament cannot carry out its oversight function with respect to the executive as long as the ruling party largely controls the legislative body. The electoral system has been found to be “free and fair,” but the Communist Party has been warned that using heavy-handed tactics with the opposition will not be tolerated in the future. The opposition is itself not in a strong position to oppose the ruling party without leaders who have a clear platform that is formed with input from the public. In other words, accountability and transparency are lacking in both the ruling party and the opposition parties, which leaves the Moldovan voters feeling they are without a representational voice.

Given the existing relationship between the executive and the legislature, the “winner-takes-all” stance of the winning party results in the winner’s people staffing public administration with little accounting for merit and competence. Social services and government efficiency are victims of patronage-driven appointments. Reform of civil service is very much needed to “professionalize” the system. Endemic corruption also continues to be a pervasive practice throughout the government, and there is little evidence that the court system and the Ministry of Justice intend to wage a campaign to lessen the impact of corruption on the fabric of Moldovan life.

Recommendations

While recognizing that Moldova’s shift of direction from Russia toward Europe was inspired by a very narrow political elite, this change provides an historic opportunity to adopt a new strategy to further Moldova’s democratic momentum. The new strategy differs from that employed after the 2001 electoral victory by the Communist Party of Moldova when donors avoided central structures and concentrated more on grass-roots political mobilization. The landscape has changed, and USAID should take advantage of the current alignment of political forces and adopt a calibrated strategy to assist those inside and outside the government who are committed to meaningful democratic reforms. The EU/Moldova Action Plan, which most of Moldova’s political and economic elite have endorsed, offers an excellent roadmap for the future. At the same time, however, the strategy must be flexible and predicated on an on-going analysis by the USAID Mission of the reform agenda and those who have committed to advancing it.

Based on the findings of this assessment, recommendations for USAID’s strategic and program planning are outlined below. Given the assessment’s conclusion that the overarching democracy and governance problem in Moldova is the consolidation of executive authority, it follows that the overarching democracy and governance challenge is to reduce the consolidation of executive power. This goal can best be accomplished through increased competition (in politics, information, business and government), through increased transparency and accountability (within the government as well as through media and watchdogs NGOs), and through the government’s timely adoption and

implementation of those elements of the EU Action Plan most relevant to decreasing central/executive authority and strengthening the rule of law. The primary strategic implication is to focus assistance on the actors and arenas for increasing competition, transparency and accountability in Moldova, and on efforts to encourage the government to keep its commitments to meaningful democratic reform.

Two sets of actors are able to accomplish these reforms. First, the president, speaker of parliament, and key government officials who have announced support for, and have begun to implement meaningful democratic reforms. Second, a number of actors outside the central government have strong reform credentials, including the democratic opposition parties, civil society organizations (especially advocacy, policy and watchdog NGOs), some business actors (including small and medium agri-businesses), and some local government officials (especially reform-oriented mayors). The first set of actors is in the best position to affect change directly, but the second set of actors is more likely to press for the more difficult reforms and to maintain pressure on the government to keep its reform commitments.

USAID should acknowledge new openings that provide the potential for effective assistance to the government, despite insufficient evidence to justify a fundamental shift in the strategy in this direction. Therefore, the strategy should include *ad hoc* technical assistance (as opposed to institution building) to the government when political will for certain democratic reforms (e.g., related to press freedom, local government reform, accountability measures) exists, yet progress is hindered by lack of expertise that could be provided by short-term technical assistance. This aid might include assistance to key reformers and their staff in the central government or parliament on legislative drafting, or advice on implementing newly adopted laws and regulations.

USAID should place renewed focus on those actors outside of the central government and executive branch that have the most potential for advancing relevant democratic reforms, such as pressing the president and the government to fulfill commitments to reforms that will increase competition, pluralism, transparency and accountability. Support for democratic political parties will improve the ability of the parliament to further the reform agenda, and also ensure competitive local and national elections. A new media program to increase and improve alternative sources of information would strengthen the ability of media to serve as a watchdog and maintain pressure for reforms. Similarly, advocacy, policy and watchdog NGOs already play an important role in Moldova, but could be even more effective. The local government program could support this strategic approach by strengthening the collective ability of reform-oriented mayors, e.g., through a mayors' association, to advocate effectively for more fiscal autonomy.

The second strategic implication is two fold. Moldova is at a crossroads in its democratic development. What is not clear, however, is whether Moldova is firmly on a trajectory toward European integration and democratic consolidation, or merely trying to satisfy Western donors without the intention of fully implementing reforms that would threaten the interests of the political and business elite. If the former, then the strategic implication is to shift USAID's focus to provide more assistance to the government as it undertakes reforms. If the latter, then the strategic implication is to put more emphasis on a longer-term approach that focuses assistance on grass-roots activities that further the development of a more democratic culture.

Because of the uncertain prognosis, the USAID strategy for Moldova should remain flexible and be assessed regularly using benchmarks of democratic reform. Such benchmarks might include the adoption and implementation of the ten opposition demands agreed to earlier this year, adoption and implementation of a reasonable number of elements of the EU Action Plan that reflect significant democratic development, improvements in press freedoms as measured by Freedom House, and a decrease in the use of the judicial system for political purposes.

If consistent progress is made in meeting the benchmarks, then the USAID strategy should shift toward more technical assistance to the government on adopting and implementing democratic reforms and reform legislation. If progress continues, then the mission should consider institution-building support, (e.g., judicial training and court reforms). Such decisions, however, must await evidence that the government is firmly committed to its professed path toward Europe.

If, on the other hand, progress is not made in meeting the benchmarks, then the strategy should place more emphasis on grass-roots activities and increasing democratic culture and citizen participation and awareness. These efforts might include support for local level activists, civic education, and changing attitudes about participation, creating conditions to counter the incentives for emigration, supporting local economic development, etc.

If USAID were not already involved with grass-roots DG programs in Moldova, the assessment team would not recommend that the mission place its emphasis there. But USAID has already made a considerable investment in this area -- one that has had some impressive impact -- so the team recommends maintaining limited support in this area.

Continuation of some programming is justified not only because of the current investment, but precisely because of the uncertain prognosis for Moldova's democratic development in the short- to medium-term.

Furthermore, Moldova may find itself in a more uncertain situation,

neither firmly on the path to European integration nor simply taking the minimum steps to please the West. Its transition may have a positive trajectory, but one that will be fitful and slow-going. In this case, grass-roots and citizen participation activities remain a necessary component of USAID's strategy.

Funding limits will necessarily force USAID to prioritize, and the team's conclusion is that the priorities should be as described above. Therefore, unless additional funding is available for the new focus area, the team recommends that funding for grass-roots and citizen participation activities be scaled back at this time.